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COFFEE ANNUAL

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Report Highlights:
Marketing Year (MY) 2009/10 coffee production is forecast at 43.5 million 60-kg bags, down 15 percent compared to MY 2008/09, as a consequence of the biennial production cycle of arabica trees. Coffee exports for MY 2009/10, are projected at 28.1 million bags, down 7 percent from previous season, due to expected lower availability. Carry-over stocks for MY 2009/10 are forecast at 2.94 million bags, a 3.07 drop from MY 2008/09.

Commodities:

Production:
The Agricultural Trade Office (ATO)/Sao Paulo projects Marketing Year (MY) 2009/10 (July-June) Brazilian coffee production at 43.5 million bags (60 kilograms per bag), green equivalent, a 15 percent drop compared to revised figure for MY 2008/09.

Expected lower production is mainly due to the biennial production cycle of arabica trees, which are experiencing a low-production year (off-year) and are expected to produce 31.9 million bags, down 6.95 million bags relative to the previous crop. In addition, robusta production is forecast at 11.6 million bags, a 1 million bag drop from previous season due to weather related problems in Espirito Santo during the blossoming period.

Post conducted field trips to major coffee producing areas to evaluate the MY 2009/10 production. Trips were made during the February-May 2008 period to the states of Minas Gerais, Espirito Santo, Parana and Sao Paulo to observe vegetative development, cherry set and fruit formation. Information for other producing states was obtained from government sources, state secretariats of agriculture, producers associations, cooperatives and traders.

Overall, arabica coffee trees have benefited from good weather conditions during blossom, cherry setting and fruit formation, thus offsetting below average crop management due to higher input and labor prices. In addition, good weather conditions as of December 2008 and good crop management practices have contributed to good robusta fruit formation in Espirito Santo, thus reducing the damages from dry weather during the blossoming period.

Post revised upward the MY 2008/09 coffee production estimate to 51.45 million bags, based on updated information from the industry. Arabica and robusta production should account for 38.85 and 12.6 million bags, respectively. According to industry sources, over 90 percent of the Brazilian 2008/09 crop has already been marketed. The table below shows forecast production by state and variety for MY 2009/10, as well, as production estimates for MY 2001/02 to MY 2008/09.

Brazilian Coffee Production (Million 60-kg bags)									
State/Variety	MY 2001/02	MY 2002/0	MY 2003/0	MY 04/05	MY 05/06	MY 06/07	MY 07/08	MY 08/09	MY 09/10
Minas Gerais	16,20	26,70	14,40	21,40	16,30	23,70	18,10	25,75	21,00
Southwest	8,50	15,00	7,40	11,50	7,30	13,50	9,40	14,25	11,30
Central-western	3,20	4,85	3,20	4,20	3,30	4,60	3,20	4,90	3,90
Southeast	4,50	6,85	3,80	5,70	5,70	5,60	5,50	6,60	5,80
Espirito Santo	9,70	11,50	7,90	8,10	8,40	10,00	10,40	11,80	10,40
Arabica	2,20	3,00	1,70	2,50	2,20	2,20	2,20	2,80	2,40
Robusta	7,50	8,50	6,20	5,60	6,20	7,80	8,20	9,00	8,00
Sao Paulo	3,20	5,90	3,10	4,90	3,30	4,90	3,10	4,85	4,20
Parana	0,50	2,60	2,20	2,60	1,80	2,50	2,00	2,65	1,90
Others	5,50	6,90	5,60	6,60	6,30	5,60	5,50	6,40	6,00
Arabica	2,30	3,40	2,20	2,90	2,40	2,70	2,25	2,80	2,40
Robusta	3,20	3,50	3,40	3,70	3,90	2,90	3,25	3,60	3,60
Total	35,10	53,60	33,20	43,60	36,10	46,70	39,10	51,45	43,50
Arabica	24,40	41,60	23,60	34,30	26,00	36,00	27,65	38,85	31,90
Robusta	10,70	12,00	9,60	9,30	10,10	10,70	11,45	12,60	11,60
Source: ATO/Sao Paulo.									

In May 2009, the Brazilian Government (GOB), through the Ministry of Agriculture, Livestock and Supply's (MAPA) National Supply Company (CONAB), released its second survey projecting Brazilian coffee production for MY 2009/10 at 39.07 million 60-kg bags, a

6.919 million bag decrease compared to the final estimate for MY 2008/09 (45.99 million bags). CONAB projects arabica production at 28.32 million bags, down 7.2 million bags from the previous crop, whereas the robusta crop is estimated at 10.75 million bags, a 3 percent reduction relative to MY 2008/09.

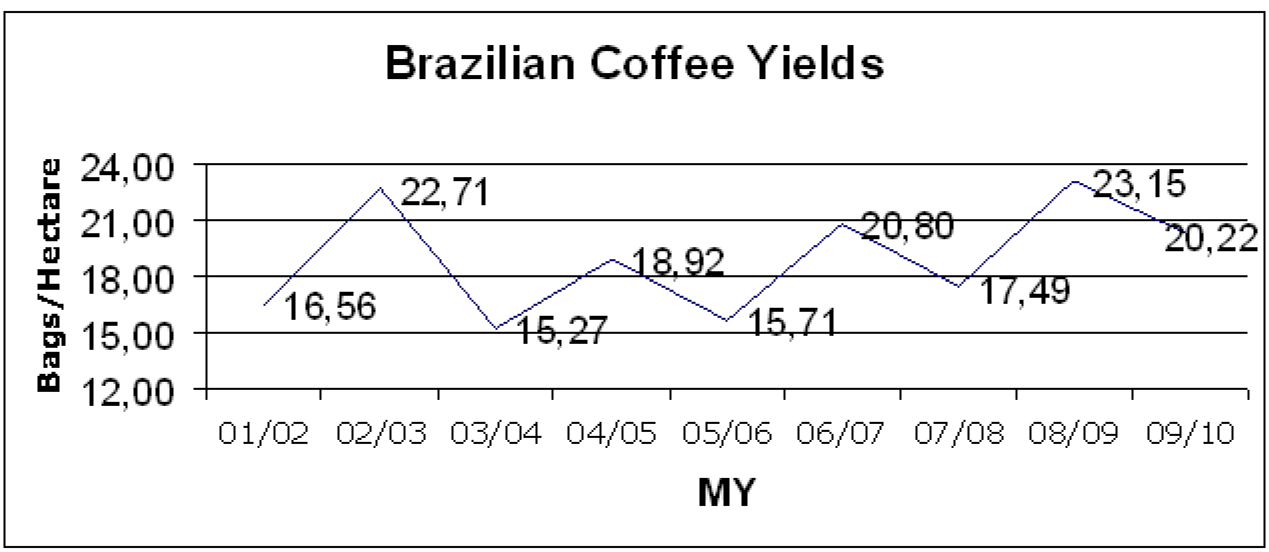
Coffee Area and Tree Population

The table below shows the Brazilian coffee area and tree population from MY 2001/02 through MY 2009/10.

Brazilian Coffee Area andTree Population (billion trees, million hectares, thousand trees/hectare)									
	MY01/02	MY02/03	MY 03/04	MY 04/05	MY 05/06	MY 06/07	MY 07/08	MY 08/09	MY 09/10
Total Trees	5.965	6.390	5.681	5.721	5.911	6.293	6.399	6.567	6.598
Non-Bearing	1.500	1.125	631	466	581	563	679	677	873
Bearing	4.465	5.265	5.050	5.255	5.330	5.730	5.720	5.890	5.725
Total Area	2.615	2.675	2.379	2.453	2.473	2.431	2.431	2.424	2.395
Non-Bearing	495	315	205	148	175	186	196	201	244
Harvested	2.120	2.360	2.174	2.305	2.298	2.245	2.235	2.223	2.151
Trees/ha	2.281	2.389	2.388	2.332	2.390	2.589	2.632	2.710	2.755
Non-Bearing	3.030	3.577	3.075	3.149	3.320	3.030	3.468	3.368	3.578
Bearing	2.106	2.231	2.323	2.280	2.319	2.552	2.559	2.650	2.662
Source; ATO/Sao Paulo									

Yields

The Brazilian coffee yield for MY 2009/10 is forecast at 20.22 bags/hectare, a 13 percent decrease relative to MY 2008/09 (23.15 bags/ha.), mainly due to the off-year of the biennial arabica cycle.



Coffee Prices in the Domestic Market

The table below shows the Coffee Index price series released by the University of Sao Paulo's Luiz de Queiroz College of Agriculture (ESALQ). The series tracks coffee prices in the domestic spot market since September 1996. Note that coffee prices remained stable in the local currency (Real) during 2008 and the first four months of 2009. However, dollar denominated prices have declined significantly since September 2008 due to the steady devaluation of the Real.

Arabica Coffee Prices in the Domestic Market (Real, 60kg/bag).					
	2005	2006	2007	2008	2009
January	284,40	291,50	281,63	267,84	268,41
February	305,07	269,75	267,66	285,19	269,34
March	337,03	254,44	252,72	263,28	262,48
April	336,40	248,82	238,88	256,35	260,10
May 1/	324,55	234,86	232,20	254,84	270,72
June	300,90	224,58	240,80	255,76	--
July	255,61	218,16	238,63	250,51	--
August	253,87	232,82	254,54	248,86	--
September	230,41	233,47	259,15	261,58	--
October	244,36	235,12	255,84	256,84	--
November 1/	252,90	269,13	245,82	261,28	--
December	248,13	291,35	261,28	262,04	--
Source: CEPEA/ESALQ/USP. 1/ May 2009 refers to May 19.					

Consumption:
Post forecasts total Brazilian domestic consumption for MY 2009/10 at 18.47 million coffee bags (17.47 million bags of roast/ground and 1 million bags of soluble coffee, respectively), up 3 percent from 2008/09, reflecting the newest domestic consumption survey released by the Brazilian Coffee Industry Association (ABIC).

Brazilian consumption during MY 2008/09 is estimated at 17.94 million 60-kg bags, green equivalent, a 3 percent increase compared to MY 2007/08 consumption (17.39 million bags). Roast and ground coffee consumption accounted for 16.39million bags, whereas soluble consumption is estimated at 1 million bags. Estimates are based on periodic surveys conducted by ABIC, reflecting population growth, increased per capita consumption, increased purchasing power, and the effects of domestic campaigns to promote coffee consumption.

ABIC reports that the coffee industry processed 17.67 million bags, green equivalent, from November 2007 to October 2008, up 3 percent compared to the same period the year before. Per capita consumption for 2008 is estimated at 4.51 kg of roasted coffee per person, up 2 percent from previous year and similar to coffee consumption in Italy. The table below shows domestic ground and soluble coffee consumption as reported by ABIC.

Domestic Ground and Soluble Coffee Consumption (Million 60 kg bags, Kg/year).					
Year	Consumption (Million 60 kg bags)			Consumption per capita (kg)	
	Roast/Groun	Soluble	Total	Roast	Green Beans
2000	12,60	0,60	13,20	3,81	4,76
2001	13,00	0,60	13,60	3,91	4,88
2002	13,30	0,74	14,04	3,86	4,83
2003	12,90	0,80	13,70	3,72	4,65
2004	14,10	0,80	14,90	4,01	5,01
2005	14,60	0,90	15,50	4,11	5,14
2006	15,40	0,93	16,33	4,27	5,34
2007	16,10	1,00	17,10	4,42	5,53
2008	16,67	1,00	17,67	4,51	5,64
2009 1/	17,20	1,00	18,20		
Source: Brazilian Coffee Industry Association (ABIC). 1/ Projection					
Note: Estimates refer to November-October period.					

Trade:
Brazilian coffee exports for MY 2009/10 are projected at 28.1 million bags, a 7 percent drop compared to revised figure for MY 2008/09, due to expected lower availability. Green bean exports should contribute 25 million bags, while soluble coffee exports are forecast at 3 million bags.

Coffee exports for MY 2008/09 were revised upward to 30.28 million 60-kg bags, green beans, up 11 percent from previous MY, based on year-to-date export volumes and anticipated May-June loadings. Green bean (arabica and robusta) exports are estimated at 27.3 million bags, whereas soluble coffee exports are estimated at 2.9 million bags. Brazil represents over 30 percent of total world exports.

The table below shows green coffee bean (NCM 0901.11.10), soluble coffee (NCM 2101.11.10) and roasted coffee exports (NCM 0901.21.00) by country of destination, according to SECEX, for CY 2008, MY 2007/08 and 2008/09 (July-April).

Brazilian Coffee Exports by Country of Destination (NCM 0901.11.10, MT, US$ 000 FOB)						
	CY 2008 1/		MY 2007/08 2/		2008/09 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Germany	310.929	826.409	240.505	593.431	288.786	710.217
U.S.A.	273.894	705.326	222.686	525.937	262.813	628.064
Italy	172.974	477.300	134.941	352.372	161.445	410.734
Belgium	136.811	364.089	81.589	206.934	117.698	295.321
Japan	106.223	297.503	87.335	226.789	103.798	274.852
Spain	60.200	156.413	36.692	91.536	54.292	131.118
Slovenia	55.394	134.888	44.322	102.950	50.171	112.432
France	40.221	104.487	37.109	92.802	34.891	82.683
Sweden	39.359	104.549	33.082	80.895	34.737	86.038
Finland	28.723	79.866	23.767	59.953	25.340	64.697
Others	342.131	880.635	292.288	700.273	303.749	720.195
Total	1.566.860	4.131.465	1.234.315	3.033.872	1.437.719	3.516.351
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note : Numbers may not add due to rounding 1/January-December 2/ July - April						

Brazilian Roasted Coffee Exports by Country of Destination (NCM 0901.21.00, MT, US$ 000 FOB)						
	CY 2008 1/		MY 2007/08 2/		MY 2008/09 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
U.S.A.	4.180	23.768	4.588	24.196	2.572	15.118
Italy	942	4.273	793	3.489	814	3.464
Argentina	578	2.499	190	1.146	265	1.308
Japan	342	1.697	255	1.107	210	1.068
Portugal	53	226	33	119	41	175
Paraguay	67	254	53	173	40	147
Uruguay	43	183	35	116	39	464
Bolivia	8	35	7	24	20	68
Argelia	20	77	0	0	20	77
Chile	44	292	27	146	18	124
Others	313	1.910	265	1.595	128	756
Total	6.590	35.213	6.246	32.111	4.168	22.769
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note : Numbers may not add to rounding 1/January-December 2/July-April						

Brazilian Soluble Coffee Exports by Country of Destination (NCM 2101.11.10 MT, US$ 000 FOB)						
	CY 2008 1/		MY 2007/08 2/		MY 2008/09 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
United States	13.000	81.063	10.260	52.519	10.427	65.966
Russia	8.590	71.791	9.519	72.443	6.444	52.993
Japan	4.503	38.328	3.045	24.560	3.714	30.836
Ukraine	4.837	42.763	4.081	33.772	3.695	33.260
United Kingdom	4.641	37.491	5.414	41.556	3.302	25.683
Argentina	4.243	22.988	3.648	18.083	3.219	16.719
Germany	3.902	28.887	3.314	20.625	2.470	18.217
Singpore	2.927	15.232	2.818	12.062	1.828	10.619
Indonesia	1.638	10.600	907	4.349	1.713	11.921
Canada	1.968	17.711	1.590	12.689	1.636	14.483
Others	24.484	198.812	20.068	144.413	17.232	143.648
	74.732	565.667	64.664	437.070	55.681	424.343
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note: Numbers may note add to rounding. 1/January-December 2/July-April						

The tables below include data on monthly coffee exports (quantity and value) for MY 2008/09 (July-April), as reported by CECAFE and the Brazilian Soluble Coffee Association (ABICS). Total coffee exports during the July 2008 - April 2009 period were 26.45 million bags, up 3 million bags relative to the same period for MY 2007/08. Preliminary data show that coffee export registrations for May 2009 were 1,617,209 while cumulative green coffee export shipments for May 2008 are 1,283,295 through May 20.

Brazilian Monthly Coffee Exports for MY 2008/09 (60 kg bag, green equivalent).						
Month	Conillon	Arabica	Roasted	Total Green	Soluble	Total
jul/08	281.901	1.498.055	10.873	1.790.829	296.046	2.086.875
aug/08	297.745	1.595.612	7.124	1.900.481	298.854	2.199.335
sep/08	314.923	2.386.871	12.685	2.714.479	284.332	2.998.811
oct/08	197.810	2.601.837	10.999	2.810.646	261.448	3.072.094
nov/08	104.153	2.617.020	939	2.722.112	218.455	2.940.567
dec/08	154.229	2.839.550	812	2.994.591	250.586	3.245.177
jan/09	43.165	2.063.342	1.665	2.108.172	213.974	2.322.146
feb/09	41.277	2.351.521	1.928	2.394.726	221.515	2.616.241
mar/09	33.446	2.295.814	16.073	2.345.333	248.809	2.594.142
apr/09	67.931	2.095.239	467	2.163.637	212.147	2.375.784
Cumulative	1.536.580	22.344.861	63.565	23.945.006	2.506.166	26.451.172
Source: CECAFE and ABICS.						

Brazilian Monthly Coffee Exports for MY 2008/09 (US$ 1,000).						
Month	Conillon	Arabica	Roasted	Total Green	Soluble	Total
jul/08	37.809	246.453	3.080	287.342	53.709	341.051
aug/08	40.924	264.370	2.151	307.446	52.356	359.802
sep/08	43.359	400.669	3.877	447.905	49.274	497.179
oct/08	24.991	424.214	3.151	452.355	49.873	502.228
nov/08	11.965	404.770	220	416.954	42.350	459.304
dec/08	17461	422149	186	439.796	49122	488.918
jan/09	5.036	280.362	373	285.770	37.402	323.172
feb/09	4.486	314.228	498	319.213	37.159	356.372
mar/09	3.456	297.868	4.627	305.951	41.378	347.329
apr/09	6.752	268.314	134	275.200	34.659	309.859
Cumulative	196.239	3.323.396	18.297	3.537.932	447.283	3.985.215
Source: CECAFE and ABICS.						

Stocks:

Ending stocks for MY 2009/10 are estimated at approximately 2.94 million bags, down 3.07 million bags relatively to MY 2008/09, due to expected lower coffee supply. The 2009 CONAB's privately-owned stocks survey should be released on June 8. The survey includes coffee stocks held by growers, coffee cooperatives; exporters, roasters and the soluble industry on March 31st. The results from the 2008 CONAB's stocks survey was revised upward to 12.5 million coffee bags on March 31, 2008, up 2.14 million bags from the previous estimate (see table below). Coffee stocks held by MAPA/DECAF (Funcafe stocks) are estimated at only 500,000 bags, whereas CONAB coffee stocks in May 2009 are reported at 169,850 bags.

Brazilian Private Coffee Carry-Over Stocks (60-kg Bags)								
	Mar 31, 2005 - 2004 crop		Mar 31, 2006 - 2005 crop		Mar 31, 2007 - 2006 crop		Mar 31, 2008 - 2007 crop	
							Revised July, 2008	
	Arabica	Conillon	Arabica	Conillon	Arabica	Conillon	Arabica	Conillon
Industry	510,040	706,407	384,995	223,994	787,598	298,346	786,950	264,533
Roasters			344,360	80,139	717,829	205,036		
Soluble			40,635	143,855	69,769	93,309		
Exporters	2,729,880	187,448	2,475,334	83,739	3,603,577	162,569	3,169,605	318,125
Cooperatives	3,550,854	147,192	3,309,668	61,981	7,587,722	68,724	4,087,053	104,445
Others	4,080,971	131,146	3,107,640	76,491	4,802,317	273,252	3,446,254	326,067
Total	10,871,745	1,172,193	9,277,637	446,205	16,781,214	802,890	11,489,862	1,013,170
	12,043,938		9,723,842		17,584,104		12,503,032	
Source: CONAB, Annual Carry Over Stock Surveys - Reference Month = March 31st.								

Policy:

Last April the Brazilian Government set new minimum prices for coffee: R$ 261.69 per 60-kg bag for Arabica coffee and R$ 156.57 per 60-kg bag for Robusta coffee. On May 20, the Ministry of Agriculture, Livestock and Supply (MAPA) released R$ 125 million from the Coffee Defense Fund (Funcafe) to finance 2009 harvest operations.

In addition, the Government of Brazil (GOB) has just set a Coffee Option Contract Program to partially regulate the domestic coffee supply. According to the program, GOB will define price and delivery parameters for option contracts and coffee producers will be eligible to buy the option to sell their products to the Brazilian Government. The GOB is committed to the purchasing of up to 3 million coffee bags of arabica beans. Total funds available for this program are approximately R$ 900 million.

Producers will pay a premium between R$ 8.00 to 18.00 per bag through an auction system and are assured of having their product marketed at a price between R$ 303.00 and 320.00 per bag of arabica coffee (type 6) depending on the sales date. The auctions will be held in May and June and the redemption period will extend from November 2009 to March 2010.

Production, Supply and Demand Data Statistics:

Coffee, Green Brazil	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	2.431	2.431	2.431	2.411	2.411	2.424			2.385
Area Harvested	2.295	2.295	2.295	2.223	2.223	2.223			2.151
Bearing Trees	5.720	5.720	5.720	5.770	5.770	5.890			5.725
Non-Bearing Trees	679	679	679	663	663	677			873
Total Tree Population	6.399	6.399	6.399	6.433	6.433	6.567			6.598
Beginning Stocks	8.361	8.361	8.361	1.221	1.221	2.781			6.011
Arabica Production	26.300	26.300	27.650	38.500	38.500	38.850			31.800
Robusta Production	11.300	11.300	11.450	12.600	12.600	12.600			11.800
Other Production	0	0	0	0	0	0			0
Total Production	37.600	37.600	39.100	51.100	51.100	51.450			43.600
Bean Imports	0	0	0	0	0	0			0
Roast & Ground Imports	0	0	0	0	0	0			0
Soluble Imports	0	0	0	0	0	0			0
Total Imports	0	0	0	0	0	0			0
Total Supply	45.961	45.961	47.461	52.321	52.321	54.231			49.611
Bean Exports	23.770	23.770	23.770	24.570	24.570	27.300			25.000
Rst-Grnd Exp.	125	125	125	130	130	80			100
Soluble Exports	3.395	3.395	3.395	3.300	3.300	2.900			3.000
Total Exports	27.290	27.290	27.290	28.000	28.000	30.280			28.100
Rst,Ground Dom. Consum	16.470	16.470	16.390	17.000	17.000	16.840			17.470
Soluble Dom. Cons.	980	980	1.000	1.000	1.000	1.000			1.000
Domestic Use	17.450	17.450	17.390	18.000	18.000	17.840			18.470
Ending Stocks	1.221	1.221	2.781	6.321	6.321	6.011			2.941
Total Distribution	45.961	45.961	47.461	52.321	52.321	54.231			49.611
Exportable Production	20.150	20.150	21.710	33.100	33.100	33.610			25.030

Author Defined:
Exchange Rate

Month	2003	2004	2005	2006	2007	2008	2009
January	3,53	2,94	2,62	2,22	2,12	1,76	2,32
February	3,56	2,91	2,60	2,14	2,12	1,68	2,38
March	3,35	2,91	2,67	2,17	2,05	1,75	2,25
April	2,89	2,94	2,53	2,09	2,03	1,69	2,18
May 1/	2,97	3,13	2,40	2,30	1,93	1,63	2,05
June	2,87	3,11	2,35	2,16	1,93	1,64	--
July	2,97	3,03	2,39	2,18	1,88	1,57	--
August	2,97	2,93	2,36	2,14	1,96	1,63	--
Septembe	2,92	2,86	2,22	2,17	1,84	1,92	--
October	2,86	2,99	2,25	2,14	1,74	2,12	--
November	2,95	2,73	2,21	2,17	1,78	2,33	--
December	2,89	2,65	2,26	2,14	1,77	2,34	--
Source : Gazeta Mercantil and BACEN (as of October 2006)							
1/ May 2009 refers to May 19.							